

Budapest, Hungary, 17 May 2023

Press statement by Head of Delegation Monika Hohlmeier on the conclusion of the CONT mission to Hungary

First of all, let me recall the reasons why we are undertaking this fact-finding mission to Budapest. The Budgetary Control Committee is responsible for the Conditionality Mechanism for the protection of the financial interests of the Union and the sole committee being responsible for the democratic scrutiny of the spending of EU funds.

Why Hungary?

Hungary is the first country where the EU triggered the conditionality mechanism for the protection of the financial interests of the European Union. As we all know, the triggering resulted in the decision of the member states to suspend 55% of funds under three Cohesion programmes for 2021-2027. The negotiations with the Commission on the implementation of the 17 remedial measures to unfreeze those funds are ongoing. In our responsibility as the discharge authority, we also assessed the ongoing process for the implementation of the 27 "super milestones" for Hungary to unblock payments under the Recovery and Resilience Facility (RRF). Under the RRF, Hungary has not yet received any payments pending the implementation of the underlying milestones and targets.

We have spent three days of intense and interesting meetings with different stakeholders responsible for the management, implementation and control of the EU funds: representatives of the government, audit and tax bodies, members of the opposition, local and regional authorities, businesses, civil society and the press. The delegation of the CONT Committee and all our counterparts share the same view - EU funds represent a very big opportunity for the development of Hungary, and for the prosperity of Hungarian citizens.

However, our core concern is how can the money reach Hungarian citizens, businesses and regions, in a transparent, fair and impartial way? How to ensure that all regions, citizens and businesses have equal access to EU funds, without any discrimination and without any political bias?

Let me be clear from the start: the European Parliament and the CONT Committee want funds to reach citizens and companies, but in order for that to happen, adequate control systems and fair distribution procedures of EU funds must be ensured.

Newly established structures and the functioning of existing ones

Upon concluding our mission, I can say our mission gave valuable on the spot information to the Parliament, the Commission, as well as the European Court of Auditors,

First, we noticed several positive developments, such as the set-up of the new Integrity Authority. We recognise the reforms increasing cooperation between the National Tax and Customs Administration and the EU Anti-Fraud Office (OLAF), and the strengthening of the National Judiciary Council.

For the European Parliament, the independence of the judicial system is of major importance, this is why we will continue to closely monitor the progress of the implementation of the related reforms.

Identified shortcomings

During our mission, our concerns on the effectiveness of the State Audit Office to adequately audit the planning, implementation and control of EU funds and the functioning of the national authorities were confirmed. Our questions to the State Audit authority concerning misuse, manipulation of tenders, reliability of budget accounts, reporting of fraud cases to the prosecution, remained unanswered. Findings from the European Court of Auditors, OLAF and the European Commission

provided to the CONT Committee show persisting problems in the implementation of EU funds. One example, for the 2014-2020 period, 29 audits were carried out, which imposed altogether an estimated EUR 1.48 billion (approximately 560 billion Forints) of financial corrections. It was astonishing for us that the State Audit Office did not mention any of these weaknesses.

As far the Recovery Fund is concerned, the Hungarian State Audit Office offered no explanation on how they will follow and assess the use of the funds.

Free market economy

The CONT delegation also received information about issues related to public procurement. Civil society, the business community and local and regional authorities shared concerns about concentrations of public procurement awards in the hands of certain companies and persons, close to the current government.

Proper implementation of public procurement and fair competition rules are key for lifting the block on cohesion funds as well as the RRF funds.

One of the major concerns raised by the business community are the distorting measures of the government in the field of competition, taxation and EUs internal market rules. Discriminatory measures such as arbitrary overnight changes to laws, undue and unjustified measures under the pretext of a state of emergency including unfair special taxes or fees as well as damaging and distorting price-caps to sectors such as retail, construction and transport sectors. We were also informed about intimidating actions, such as visits by the secret police at companies' offices or unjustified extremely frequent inspections aimed at imposing arbitrary penalties and unjustified obligations to pave the way for a takeover.

Let me remind you that Hungary is a member of the EU single market and in the single market there can be no discrimination of companies - they all must have the same rights and obligations.

National Assembly powers

In our meetings with representatives of the Hungarian Parliament and civil society, we were informed about flaws in the decision making process such as the reduced time for public consultations, overnight decrees and changes to the budget. In 2022 the Budget was modified 95 times without the involvement of Parliament in the decision making process. The need for a democratic oversight by Parliament is essential for the functioning of rule of law and proper checks and balances.

Co-governance

Finally, local and regional authorities raised concerns about their insufficient involvement in the design of the national recovery and resilience plan and the insufficient recognition of their specific needs. I want to clearly underline that for the European Parliament and the CONT committee, the adequate involvement of local and regional authorities in the design and implementation of the national recovery plans is the key to the success of this instrument. Local and regional authorities know best what the priorities of their communities are. This is why we believe that the co-governance system must be defended and promoted.

EU Funds must reach people and society as a whole

Let me also remind you that the European Parliament insists that EU funds should benefit the Hungarian people and society as a whole. We call on Hungarian Government to give more responsibility and competences to regional authorities instead of a top-down-approach.

As I said in the beginning, our goal is for the EU funds to reach Hungarian citizens, society and economy. We call on the Hungarian government to implement the 27 so called super-milestones which include the 17 remedial measures under the Conditionality Regulation as well as the four horizontal enabling conditions without any further delay to finally unblock almost 28 billion Euro, or over 10.000 billion forints, to make this happen.